Crisis in Co-operative Banks

95. DR. C. NARAYANA REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that, of late, some Co-operative Banks are facing crisis causing panic among small depositors;

(b) whether Government have conducted any survey in this regard; and

(c) if so, the steps Government propose to take to safeguard the interests of the Public?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) Yes, Sir.

(b) Reserve Bank of India (RBI) has reported that no specific survey has been conducted by it. However, there is a system of monitoring through periodical statutory returns and market intelligence reports. Besides, there is also a system of identifying weakness in the urban co-operative banks on an on-going basis on the basis of certain financial parameters either through on-site inspection or through the system of Annual Financial Review conducted by Regional Offices of the RBI every year.

(c) With a view to protecting the interests of the depositors, RBI takes one or more of the following actions depending upon the intensity of the crisis on a case to case basis:

(i) Banks which are identified as "weak" are advised to draw up a time bound action plan for revival;

(ii) Issue of directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) restricting lendings, accepting deposits, incurring expenditure etc. or issue of operational instructions under Section 36A of the Act;

(iii) To secure proper management, supersession of Board of Directors and appointment of administrator in case of mismanagement;

(iv) Cancellation of licence and settling the insurance claim through the Deposit Insurance Credit Guarantee Corporation in case the efforts to rehabilitate/merge with strong bank does not materialize;

(v) Instituting criminal proceedings against the Board of Directors and other executives of the banks concerned.

India Millennium Deposit by SBI

96. SHRI P.K. MAHESHWARI: Will the Minister of FINANCE be pleased to state:

(a) whether some foreign banks had mobilised the $ 5.5 billion under the India Millennium Deposit (IMD) schemes on behalf of the State Bank of India;

(b) if so, the total commission received by these banks;

(c) whether these banks had received this commission in dollar terms which have been passed to the NRI investors abroad;

(d) if so, the reasons for imposing income-tax on such commission; and

(e) the steps taken by the RBI/Government to settle this dispute between the SBI and the foreign banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) State Bank of India (SBI) has reported that the foreign banks had mobilized around US $ 4.2 billion under the India Millennium Deposit Scheme on behalf of SBI and the total commission received by these banks was Rs. 360.23 crore in rupee terms.

(d) and (e) SBI has further reported that foreign banks' fee/ commission was paid without deducting tax at source in cases where the bank concerned produced necessary authorization u/s. 195(3) of the Income Tax Act, exempting receipts from TDS and in other cases tax was deducted at source.